BUSINESS PERFORMANCE OFFICE TRAINING

May 2004

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PURPOSE

- Community Collaboration
- Creativity
- The “Possible”

COMMONALITY OF INTERESTS

- City Manager Objectives:
  - Serve their citizens
  - Be cost effective
  - Keep their base open
- Garrison Commander Objectives:
  - Serve soldiers and families
  - Be cost effective
  - Accomplish Operational Mission

CITY-ARMY DIFFERENCES

- Time Horizon
- Public Process
- Public Theatre
- 1 Boss vs 5, 7, or ? Bosses
- Regionalization
- Levels of Oversight

CITY GOAL

Effectively support the DoD missions, operations, and personnel in Monterey's installations by providing quality facilities, housing, infrastructure and base support services, at the lowest cost.

CURRENT SITUATION

- Military has insufficient budget to adequately maintain non-excess and excess infrastructure capacity.
- Base Closure Round will not totally solve the excess capacity issue.
- Cities/Counties suffer similar budget issues.

AVAILABLE TOOLS

- Sec 2667 - Lease Authority
- Special Legislation
- Commander Initiative & Patience
- Collaborating Community
- FAR

OBSTACLES

- Bureaucracy
- FAR
- Police Prohibition
- Fire Prohibition
- A76 Process
- Commander Longevity
- DoD Philosophy
- Fair Market Value Appraisals

OBSTACLES (Continued)

- Property Disposal Law
- OMB Scoring
- Competition Requirements
- Oversight by all levels
- Concurrent Jurisdiction

DEFEAT THE "STATUS QUO"

- Why?
- Show me the law!
- Show me the regulation!
- Show me the policy!

WHAT DOES CUSTOMER WANT

The customer does not care who provides service as long as the service is quality, responsive and cost effective.

PHILOSOPHY

- Give Base Commanders the same training level and decision making authority as Combat Commanders.
- There are no “Cookbook” solutions.
- Collaboration - A new form of Jointness

SOLUTION APPROACH

- DoD focus on unique DoD missions
- City focus on municipal services
- Use excess asset value to help fund services and missions where opportunities exist.
- Use Privatization where appropriate.

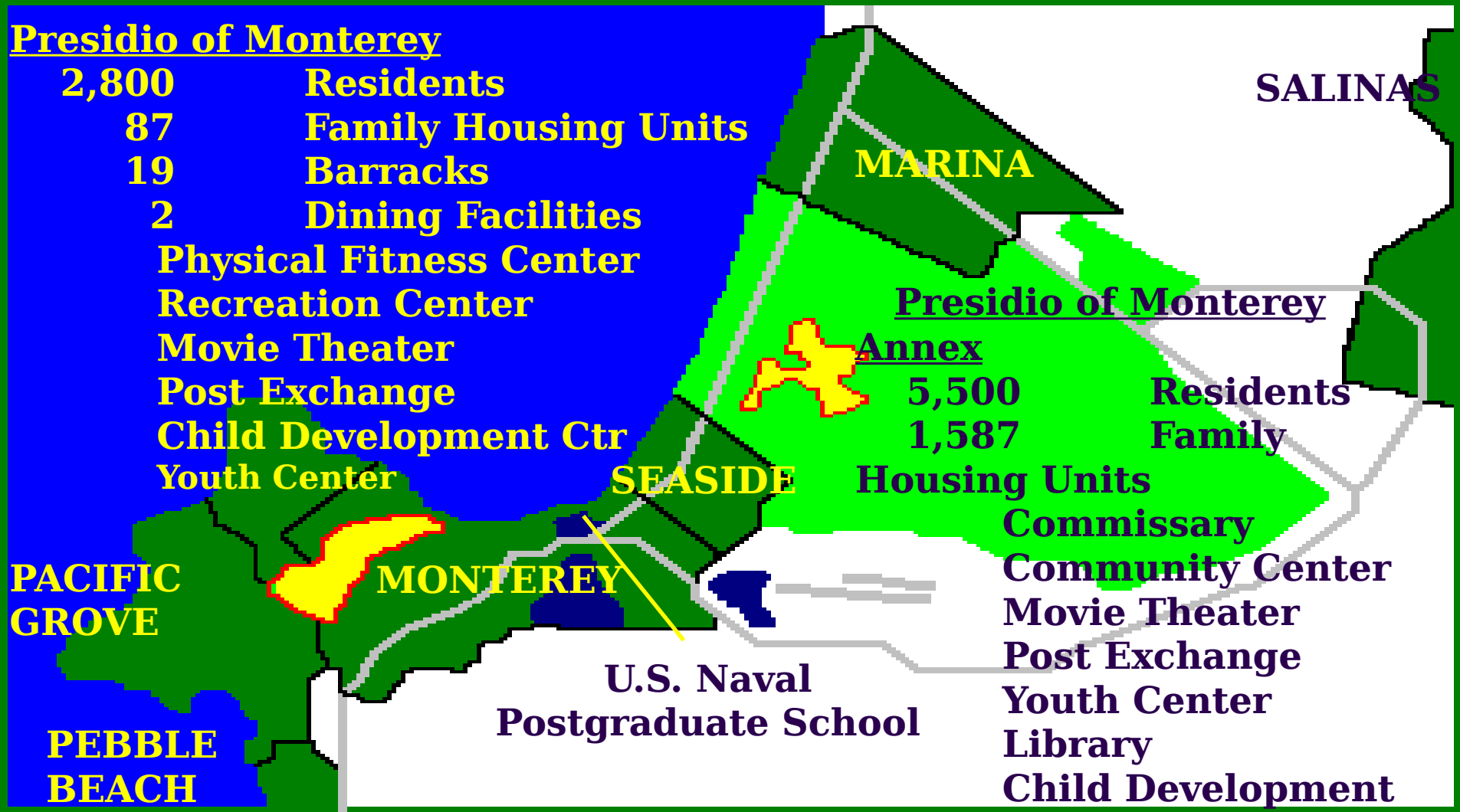
A SUGGESTED APPROACH

- Manage un-used or underutilized capacity as real estate assets rather than as liabilities.
- Where cost effective, outsource BASOPS functions to private sector or adjacent community.

REAL ESTATE OPPORTUNITIES

- Services vs Cash
- Real Estate
  - Outlease
  - License
  - Lease/Leaseback
- Cost Reduction

THE AREA


Presidio of Monterey
2,800 Residents
87 Family Housing Units
19 Barracks
2 Dining Facilities
Physical Fitness Center
Recreation Center
Movie Theater
Post Exchange
Child Development Ctr
Youth Center
SALINAS
MARINA
Presidio of Monterey
Annex
5,500 Residents
1,587 Family
Housing Units
Commissary
Community Center
Movie Theater
Post Exchange
Youth Center
Library
Child Development
SEASIDE
MONTEREY
PACIFIC
GROVE
PEBBLE
BEACH
U.S. Naval
Postgraduate School

THE MONTEREY EXPERIENCE

- Sheep Leases
- Privatized On-Base Housing
- Fire Protection
- Outleases for Parks
- Licenses for Joint Use Ballfields
- Base Ops Maintenance Contracts
- Utility Purchase
- Child care Center Lease

GRAZING LEASE

SITUATION

- Short 2,000+ houses
  - 300 units in 1st yr of 3 yr appropriation cycle
- Some families living in tents
- All volunteer Army/draft Army rules
- Building a Light Infantry Division
- Vacancy rates measured in hours

THE CATALYST – A TRAGEDY August 1984

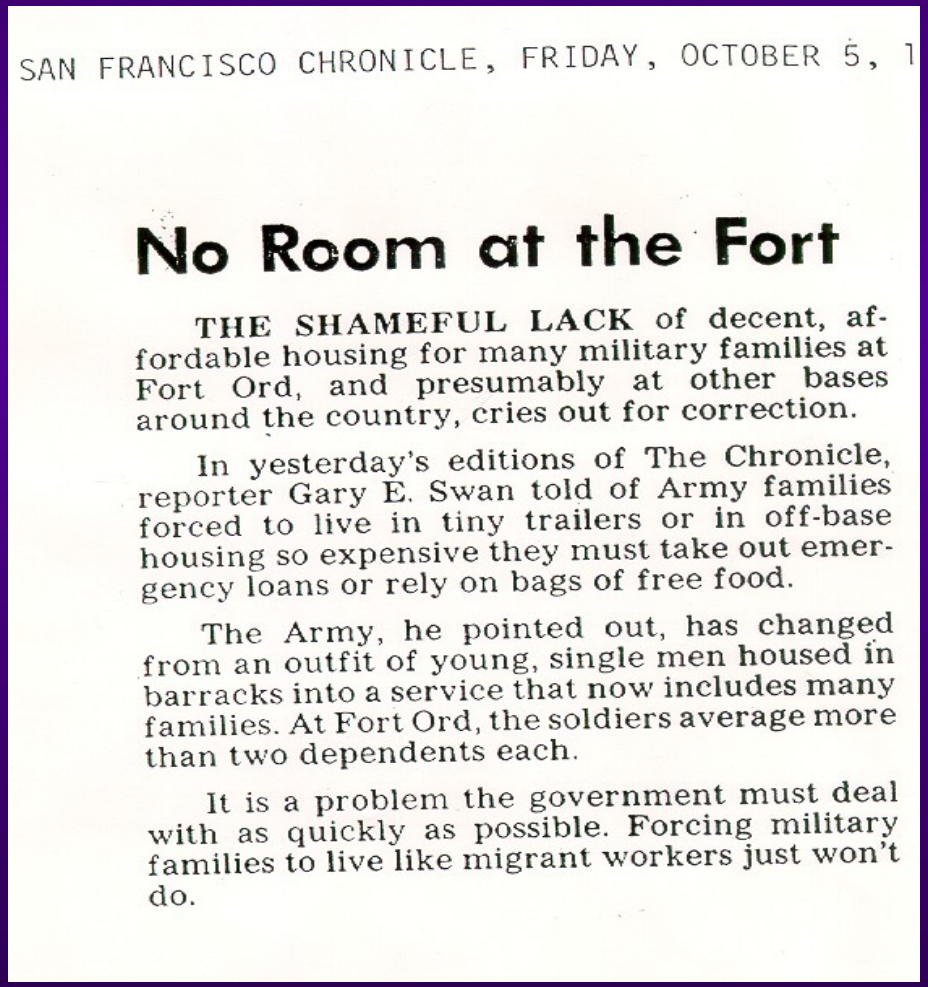
- Army family member commits suicide
- If there was “one less to feed, things would be better”

THE SLOGANS

“The Army takes care of its own”

“Be all you can be”

THE EDITORIAL VIEW (Part 1)



SAN FRANCISCO CHRONICLE, FRIDAY, OCTOBER 5, 1

No Room at the Fort

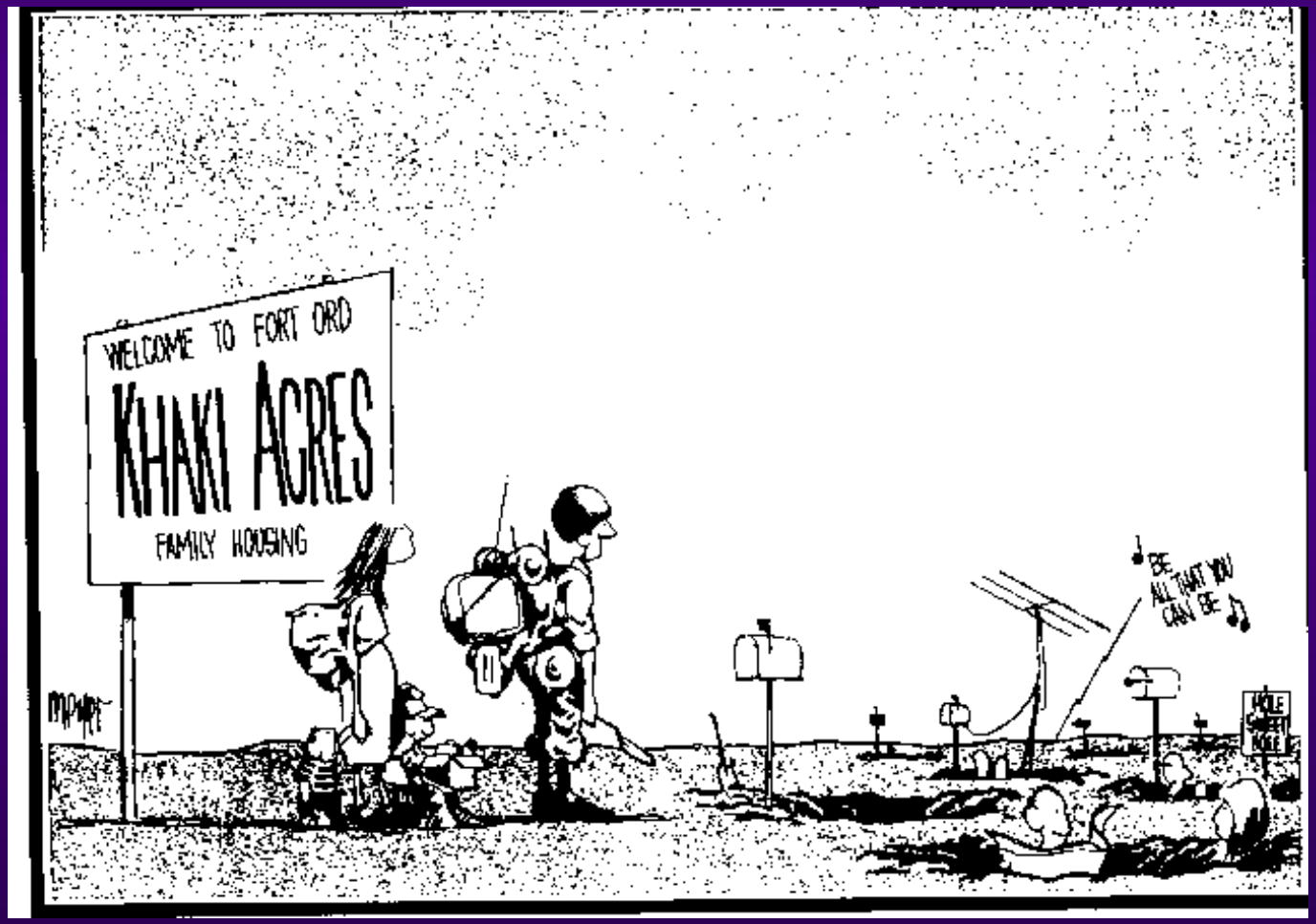
THE SHAMEFUL LACK of decent, affordable housing for many military families at Fort Ord, and presumably at other bases around the country, cries out for correction.

In yesterday's editions of The Chronicle, reporter Gary E. Swan told of Army families forced to live in tiny trailers or in off-base housing so expensive they must take out emergency loans or rely on bags of free food.

The Army, he pointed out, has changed from an outfit of young, single men housed in barracks into a service that now includes many families. At Fort Ord, the soldiers average more than two dependents each.

It is a problem the government must deal with as quickly as possible. Forcing military families to live like migrant workers just won't do.

THE EDITORIAL VIEW (Part 2)



BE CREATIVE

Need	Solution
◆ Fire Protection ◆ Family Housing	◆ Sheep lease ◆ Variation of sheep lease ◆ Use other people’s $

SECTION 2667 OF TITLE 10 US. CODE - LEASING OF NON-EXCESS PROPERTY

"... the Secretary is authorized to accept improvements, maintenance, protection, repair or restoration of the property by the lessee in payment of all or part of the consideration for the lease."

10USC 2667 (b)(5)

MOBILE HOME COMMUNITY

SUN BAY RESORT

BE CREATIVE - PART 2

NEED	SOLUTION
Maintenance of Nature Preserve	Out lease
Maintenance & Operation of Historic Park	Out lease
Ball Fields	Use other people's $ and real estate
Turn Key Base Ops Maintenance	Out lease/Special Legislation

PRESIDIO BALLFIELD
Before

PRESIDIO BALLFIELD
After

PRESIDIO BALLFIELD
After

CHILD CARE CENTER

- Vacant Army facility
- Commander willing to lease
- City short child care facilities

CHILD CARE CENTER

CITY-ARMY DESIRED APPROACH

- 25-year lease
- Service in-lieu of rent
- City sub-lease to provider
- Chief of Staff approval

SAVINGS VIA COST AVOIDANCE

- **Soldiers Field**

Capitol Costs: $410, 000

Annual O&M Costs: $25,000

- **Presidio Historic Park**

Capital Costs: $350,000

Annual O&M Costs: $25,000

- **Child Care/Development Center**

Capital Costs: $508,000

Annual O&M: $40,000

- **Nature Preserve**

Capital Costs: $15,000

Annual O&M: $12,500

1993 BRAC COMMISSION FINDINGS

It was apparent more efficient methods of base-operations support were not explored, specifically a consolidation with the Naval Postgraduate School also located in Monterey. In addition, other alternatives have not been explored, such as a commercial-activities contract with the local communities for base-operations.

Excerpt from 1993 Defense Base Closure and Realignment Commission Report

1993 BRAC COMMISSION RECOMMENDATION

Consolidate base-operations support with the Naval Postgraduate School by interservice support agreement. The Department of Defense will evaluate whether contracted base-operations support will provide savings for the Presidio of Monterey.

Excerpt from 1993 Defense Base Closure and Realignment Commission Report

NPS FIRE PROTECTION

- 120+ acres surrounded by City
- 2-engine company Navy Fire Station
- City surrounds Navy Fire Station with 3 City stations
- Navy costs - Approximately $1M/year
- City Provides Fire protection to Presidio (390 acres) at cost of $340K/year

BE CREATIVE - PART 2

Title 10 -US. Code 2465

(a) Except as provided in subsection (b), funds appropriated to the Department of Defense may not be obligated or expended for the purpose of entering into a contract for the performance of fire fighting...

CITY - NPS FIRE OFFER (1994)

- City offer - No cost amendment to scope of Army contract to provide fire suppression service to Navy
- Navy response : No; prohibited by Title 10
- City counter: Title 10 says no appropriated $
- Navy counter - counter: Can’t accept donations

SPECIAL LEGISLATION

- Sec 816 National Defense Authorization Act for FY95 Demonstration Project on purchase of fire, security, police, public works, and utility services from local government agencies - 8/12/94
- Senate Colloquy - Senator Nunn and Senator Boxer clarify intent of Sec. 816 to waive requirement for A76 Congressional Record - Senate - 9/5/95

NPS FIRE OFFER

- Navy costs $1.7 million to provide own fire service
- City reduced cost of Presidio fire contract to $200K/year; now $226K/year
- Navy initiates an A76 study (1997)
- Provide cost estimate for fire services equal to city standards $900K vs 1.7 million
- Navy reduces to one engine company with auto aide
- Navy Fire out of Business

Contract for Base Operations and Maintenance The Improvements

- Better quality
- Lower price then ISSA
- Maintenance instead of fixing
- Less overhead involved
- Better deals through City contracts

ARMY AUDIT AGENCY CERTIFIED SUCCESS !

- For similar scope of work for a one year period, adjusted for inflation….
  - POM cost via JPA agreement was $3,681,000
  - POM cost via ISSA with NSAMB was $6,213,000
- $2,532,000 cost savings, or 41% of the cost of the Navy ISSA!

AAA Comments...

- *...Army has achieved significant savings...by contracting with the local Municipal Agency for some BASOPS services...*
- *...In addition to reduced costs... benefits include the quality and timeliness of services provided...*

SAVINGS SUMMARY

	Intergovernmental Support	Traditional Support
BASOPS Svs	$3,681,000	$6,213,000
Fire Protection	$ 226,000	$1,700,000
Total	$3,907,000	$7,913,000

49% total savings!

COMPETITION RETAINED

- 50% Small Business
- 25% Large Business
- 25% In-house

Cost Reimbursement versus Firm-Fixed Price

Cost Reimbursement

- Army pays for actually delivered services
- Contractor and Army can adjust services
- Entrepreneurial risks are minimized and shared
- Cost-Plus-Award Fee contract (Monterey) still allocates a financial ceiling

Firm-Fixed Price

- Government pays for pre-determined number of service calls
- Contractor allocates entrepreneurial risks on Army
- Contractor locks the Army into a limited number of services
- And: adjust increases of service volumes through contractual negotiations $$$

OUR REAL WORLD EXAMPLE

The Solicitation

- Request for 4,889 anticipated work orders
- 180 buildings
- 6 generators
- 52 alarm systems
- …

The Real World

- 9,790 work orders
- 4 new / upgraded buildings
- 3 new generators
- 9 new alarm systems
- …

The Opportunity for Private Industry

The Real World

- 9,790 work orders vs 4,889
- 4 new / upgraded buildings
- 3 new generators
- 9 new alarm systems
- …

Private Industry

- Need more funding
- $$$$
- Need more people
- “Show me the money”

How we do it…

- Customer Survey attached to each work order
  - return rate of 15%
  - 92% rate our response time as excellent(77%) to good (15%)
- Real Quotes:
  - ***They always do a great job!***
  - ***Top notch job from start to finish!***
  - ***Private Industry should work like this!***
- Bottom line: What you don’t measure, you cannot improve!

LESSONS LEARNED

- Manage Facilities as assets, not liabilities
  - Outgrant excess capacity
- Delegate to Local Commander
  - Authority
  - Forget the Cookie-Cutter
- Allow local Standards to prevail
- Performance contract language
  - Results
  - What to be done, not how

EXTRACT OF PROPOSED LAW
SEC. 2816

- § 2476. Contracting with local governments for municipal services

  "…the Secretary of a military department may enter directly into a contract or other agreement for public works, utility and other municipal services at an installation or facility of the Department of Defense, with the municipality or local government responsible for serving the area that includes the installation facility…"

TOUCH STONES

- Each party must recognize and satisfy the needs of the other
- Don’t move your “risk” to your partner
- Respect each other’s situation

PROFESSIONAL MEMBERSHIP SUGGESTIONS

- International City Managers Association (ICMA) (202) 289-4262
- National Association of Installation Developers (NAID) (202) 822-5256
- Local City Managers Associations
- State Association of Cities
- Association of Higher Education Facilities Officers (APPA) (703) 684-1446